



## Oil & Gas Equipment and Services Update

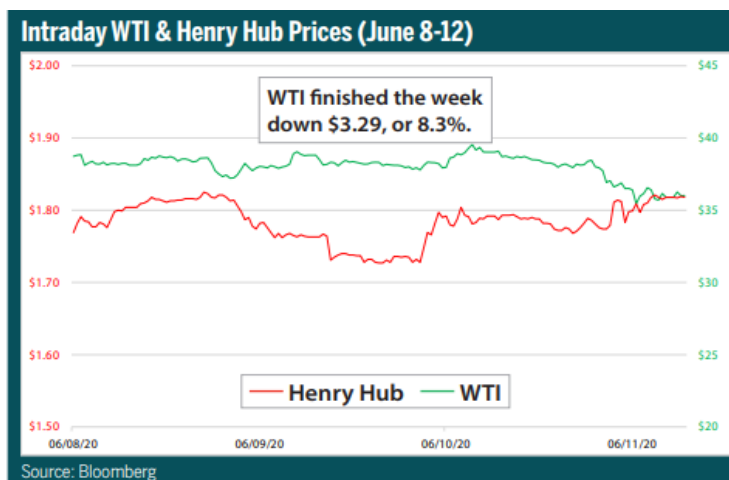
Market Insights Report | June 2020

### ► “Everybody has a plan until they get punched in the mouth.” – Mike Tyson

As the coronavirus pandemic brought the world economy to a near halt over the past few months, we have witnessed an unprecedented collapse in energy demand. Coupled with OPEC / Russia production level disagreements, this has led to circumstances that once seemed implausible – including negative crude prices – becoming a reality. In short, practically every player in the worldwide energy sector has gotten punched in the mouth by the ongoing pandemic, and now must focus on realigning their strategic plans. While every downturn prompts expense cuts and near-term changes to capital allocation strategies, a different type of planning is required under these revolutionary, “new normal” market conditions. Time is of the essence for energy sector operators to fully re-examine their business through a lens with a longer-term focus, including how a merger, recapitalization, or debt restructuring may help their company to survive. Further industry consolidation is coming, and will undoubtedly include more than cost-cutting mergers between businesses with similar service offerings, because under the new normal, cost-cutting may do nothing more than delay the inevitable. From industry conglomerates to niche players, the energy sector’s M&A focus must shift toward innovative integrations of product and service offerings that will expand each company’s client base over the long-term.

### ► 6/12/20 Update on WTI Price & Crude Stocks

After gradually increasing over the past few weeks, WTI briefly crossed the \$40 threshold on Monday, June 8 before falling later in the week in lockstep with the stock market selloff triggered by fears of rising COVID-19 cases. Overall, WTI ended the week at \$36.26, in line with the EIA’s Short-Term Energy Outlook released on June 9, which predicted that WTI will remain in the \$34-\$36/bbl range through the end of 2020, not stick above \$40 until Q2 2021, and reach \$50 by December 2021. According to the EIA, U.S. commercial crude stocks for the week ended June 5 surprisingly increased by 5.72 MMbbl, despite analyst expectations of a 1.45 MMbbl drop, following the previous week’s 2.08 MMbbl drop. The EIA revised its May projections of a 540,000 bo/d drop in 2020 U.S. crude output by 130,00, representing a 670,000 bo/d overall drop to 11.56 MMbo/d.



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### Collateral Effects

- Hedges
- Banks lending against hedges
- Financial ratios under loans
- Contracts pegged to current future contracts

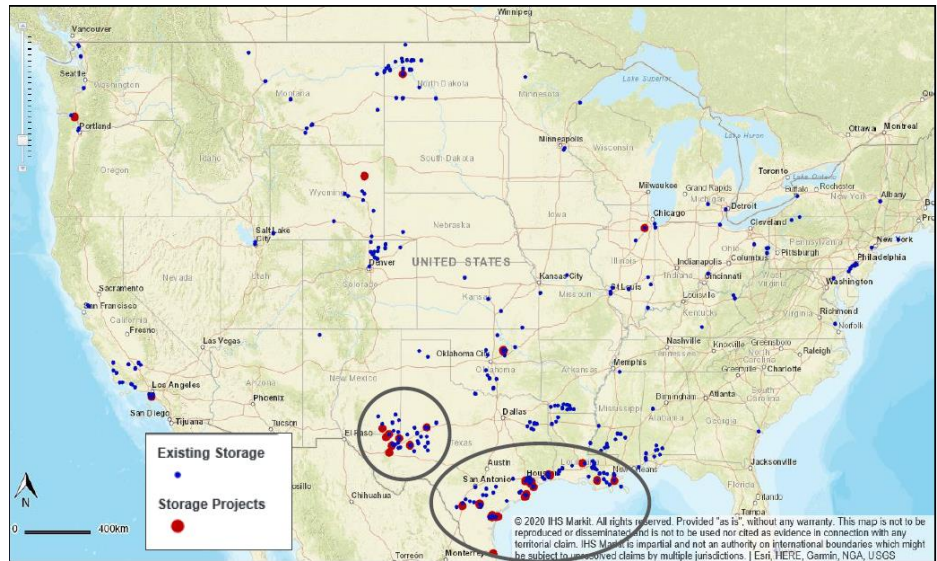
## Critical Trends in the Energy Storage Market

### ► “In the middle of every crisis lies great opportunity” – Albert Einstein

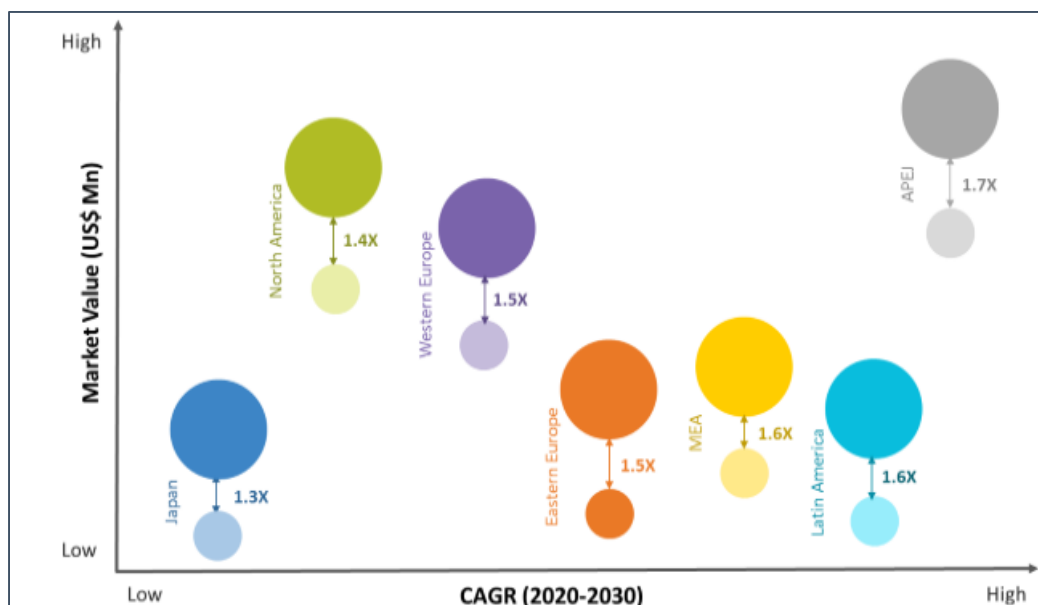
The majority of ongoing U.S.-based storage terminal projects are concentrated in the Gulf Coast regions of Texas and Louisiana, strategically close to major production basins or refinery end markets. While companies and governments around the world began responding to COVID-19 with varying lockdown measures, one thing became quickly apparent amid the uncertainty: the glut of oil and gas at current production levels would soon overwhelm storage capacity in the U.S. and worldwide. When oil futures plummeted into negative territory on April 20, practically, sellers were paying to have oil taken off their hands.

However, as Einstein famously noted, in the middle of every crisis lies great opportunity. Despite market volatility, there are pockets of the energy universe that have seen positive impacts from COVID-19, namely oil and gas storage businesses. Despite major production cuts in 2020, IHS expects storage levels to remain near maximum capacity through year-end, with total storage capacity growing steadily for the foreseeable future. Fixed roof tanks will continue to represent the largest storage market, while floating roof storage tanks and portable storage tanks are anticipated to grow significantly in the U.S. and worldwide. Even after the pandemic is under control, which is generally expected by late 2020 or early 2021, suppliers are expected to hold increased inventory counts to protect against future price fluctuations under the new normal.

**“Oil storage infrastructure is essential to safeguard profits from near-term supply fluctuations. Also, the rise in oil production has pushed suppliers to invest in increasing their inventories to management large quantities of fuel. These trends will remain key to sustained growth in the industry post the coronavirus outbreak.” – FACT.MR Analyst**



### Fuel Storage Container Market: Opportunity Assessment by Region



Source: FACT.MR

### Case Study

Major storage projects planned in the Corpus Christi region alone are projected to add 20mm barrels of oil storage capacity to its existing 40mm barrel capacity over the next year:

- Moda Midstream (10mm barrels)
- Buckeye Partners (5mm barrels)
- Lone Star Ports (3-5mm barrels)
- Pin Oak Terminals (2.5mm barrels)
- NuStar Energy (1mm barrels)
- Flint Hills Resources (75k barrels)

**No significant storage projects in the region have been cancelled due to impacts of COVID-19.**

## Recent Oilfield Service Transactions

Announcement Date	Transaction Status	Target Name	Buyer Name	Business Description [Target/Issuer]
6/11/2020	Announced	Distributed Valves Business of CIRCOR Energy Products LLC	MS Valves GmbH	Distributed Valves Business of CIRCOR Energy Products LLC comprises ball valves manufacturing business serving upstream oil and gas market.
6/5/2020	Closed	Vesta Midstream Partners, LLC	Candor Midstream, LLC	Vesta Midstream Partners, LLC engages in design and construction of oil city gathering and processing system which provides low and high-pressure gas gathering and processing services.
6/4/2020	Announced	SEACOSCO Offshore LLC	SEACOR Offshore Asia LLC	SEACOSCO Offshore LLC owns and operates platform supply vessels that provide equipment and services to oil and gas industry.
5/26/2020	Closed	Maxx Group of Companies Corp.	HTC Pureenergy Inc.	Maxx Group of Companies Corp. provides energy products and services for primary, secondary, and tertiary oil and gas production in Western Canada and the United States.
5/19/2020	Closed	DarkVision Technologies Inc.	Koch Engineered Solutions	DarkVision Technologies Inc. develops and commercializes ultrasound-based imaging technology that delivers 3D models of oil and gas wells.
5/11/2020	Closed	Certain Upstream and Midstream Assets from EQT Corporation	Diversified Gas & Oil PLC	As of May 26, 2020, Certain Upstream and Midstream Assets of EQT Corporation were acquired by Diversified Gas & Oil PLC for approximately \$150MM.
5/4/2020	Announced	Quintana Energy Services Inc.	KLX Energy Services Holdings, Inc.	Quintana Energy Services Inc. provides oilfield services to onshore oil and natural gas exploration and production companies operating in conventional and unconventional plays in the United States.
5/4/2020	Closed	Aereon Inc.	Cimarron Energy, Inc.	Aereon Inc. designs, manufactures, installs, and services gas and vapor handling, combustion, and recovery technologies and services for the oil and gas industry worldwide.
5/1/2020	Announced	Rod Lift Solutions Business of Lufkin Industries Inc.	KPS Capital Partners, LP	Rod Lift Solutions Business of Lufkin Industries Inc. comprises automated control and optimization equipment for the oil and gas industry.
4/29/2020	Announced	Taurex Drill Bits, LLC	Hijet Bit, LLC (nka:Taurex Drill Bits, LLC)	Taurex Drill Bits, LLC engages in manufacturing, distributing, and servicing drill bits for drilling companies in various oil and gas producing regions of the United States.

# Trading Statistics

Ticker	Company Name	Stock Price 6/15/2020	% of 52-Week		Market Cap	Enterprise Value	LTM Revenue	LTM EBITDA	Enterprise Value /	
			High	Low					LTM Revenue	LTM EBITDA

(All \$ in MM except for Stock Price)

## Founders OFS Pureplay Index

NYSE: WHD	Cactus	20.44	57.9%	250.5%	969	975	624	217	1.6x	4.5x
Nasdaq: TUSK	Mammoth Energy Services	1.93	24.4%	344.6%	88	211	460	(21)	0.5x	n/a
Nasdaq: NCSM	NCS Multistage Holdings	0.61	15.3%	194.0%	29	57	207	10	0.3x	5.7x
NYSE: NEX	NexTier Oilfield Solutions	3.05	39.2%	305.0%	652	744	2,028	300	0.4x	2.5x
NYSE: PUMP	ProPetro Holding Corp.	5.91	27.1%	434.6%	593	561	1,901	405	0.3x	1.4x
NYSE: WTTR	Select Energy Services	5.52	44.5%	248.6%	479	581	1,207	135	0.5x	4.3x
NYSE: SOI	Solaris Oilfield Infrastructure	7.15	44.7%	158.9%	210	299	234	117	1.3x	2.6x
Min		\$0.61	15.3%	158.9%	\$29	\$57	\$207	-\$21	0.3x	1.4x
Median		\$5.52	39.2%	250.5%	\$479	\$561	\$624	\$135	0.5x	3.4x
Mean		\$6.37	36.1%	276.6%	\$432	\$489	\$952	\$166	0.7x	3.5x
Max		\$20.44	57.9%	434.6%	\$969	\$975	\$2,028	\$405	1.6x	5.7x

## Founders Big Four

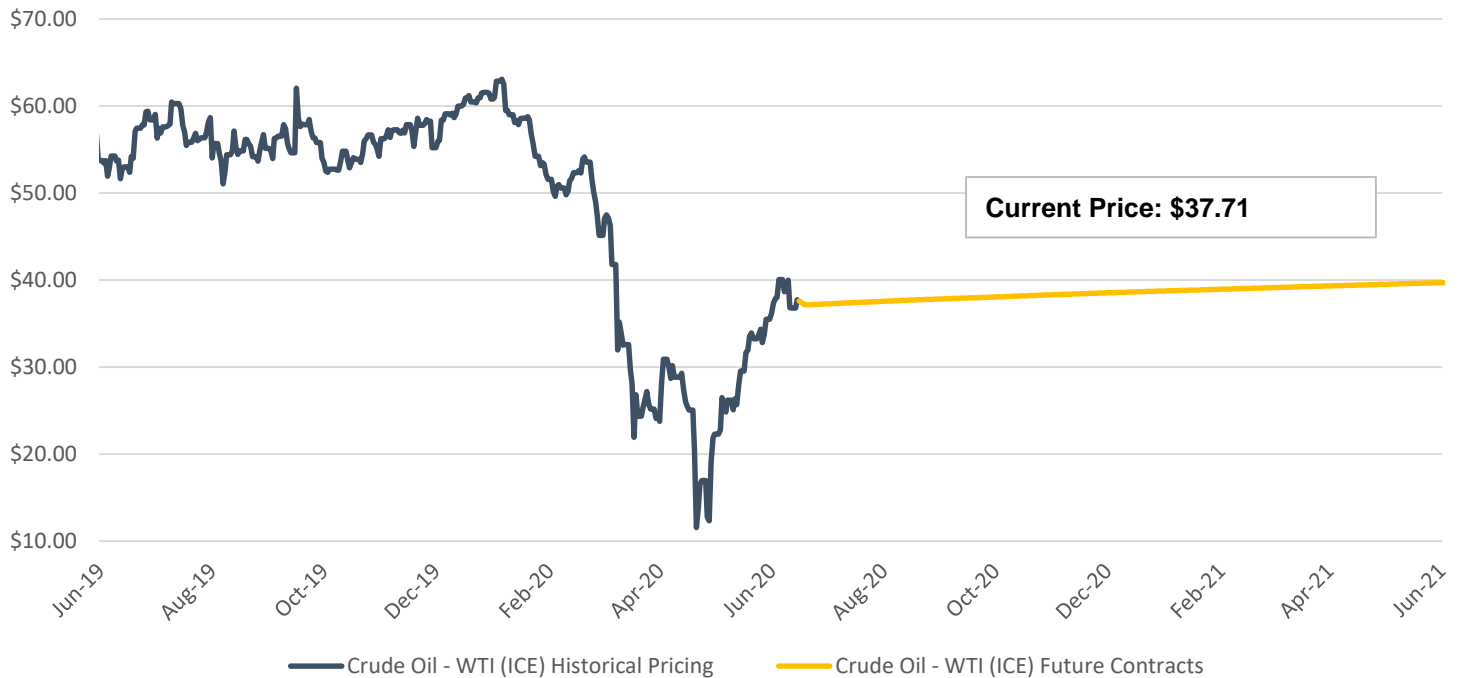
NYSE: BKR	Baker Hughes Company	\$16.35	62.9%	179.3%	\$10,710	\$20,710	\$23,648	\$3,012	0.9x	6.9x
NYSE: HAL	Halliburton Company	13.03	51.2%	306.6%	11,431	20,910	21,708	3,089	1.0x	6.8x
NYSE: NOV	National Oilwell Varco	12.44	48.2%	155.5%	4,829	6,545	8,422	(8)	0.8x	n/a
NYSE: SLB	Schlumberger Limited	19.32	46.7%	162.8%	26,813	40,533	32,493	6,336	1.2x	6.4x
Min		\$12.44	46.7%	155.5%	\$4,829	\$6,545	\$8,422	(\$8)	0.8x	6.4x
Median		\$14.69	49.7%	171.0%	\$11,070	\$20,810	\$22,678	\$3,051	0.9x	6.8x
Mean		\$15.29	52.2%	201.0%	\$13,446	\$22,174	\$21,568	\$3,107	1.0x	6.7x
Max		\$19.32	62.9%	306.6%	\$26,813	\$40,533	\$32,493	\$6,336	1.2x	6.9x

## Other Publics

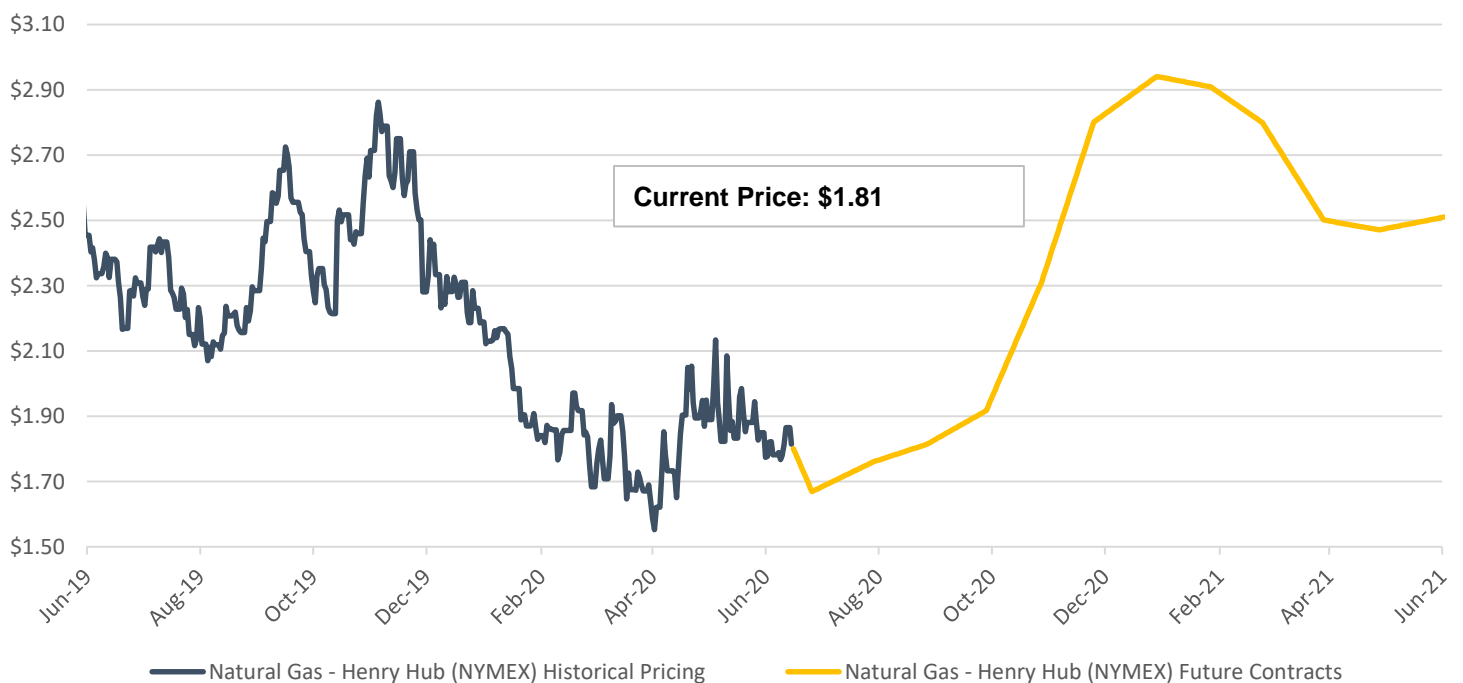
NYSE: CLB	Core Laboratories N.V.	\$21.25	37.9%	318.1%	\$945	\$1,314	\$651	\$122	2.0x	10.8x
Nasdaq: ERII	Energy Recovery	\$8.50	70.6%	139.1%	\$473	\$418	\$89	\$13	4.7x	31.8x
NYSE: NE	Noble Corporation	\$0.41	17.8%	343.8%	\$104	\$3,881	\$1,243	\$494	3.1x	7.9x
NYSE: OII	Oceaneering International	7.23	34.0%	359.7%	718	1,382	2,091	94	0.7x	14.8x
NYSE: OIS	Oil States International	5.52	29.0%	363.2%	336	619	986	67	0.6x	9.2x
NYSE: FTI	TechnipFMC	8.19	28.7%	182.4%	3,672	3,950	13,626	1,541	0.3x	2.6x
Min		\$0.41	17.8%	139.1%	\$104	\$418	\$89	\$13	0.3x	2.6x
Median		\$7.71	31.5%	331.0%	\$595	\$1,348	\$1,115	\$108	1.3x	10.0x
Mean		\$8.52	36.3%	284.4%	\$1,041	\$1,927	\$3,114	\$388	1.9x	12.8x
Max		\$21.25	70.6%	363.2%	\$3,672	\$3,950	\$13,626	\$1,541	4.7x	31.8x

## Commodity Prices

### ➤ WTI Oil \$/bbl



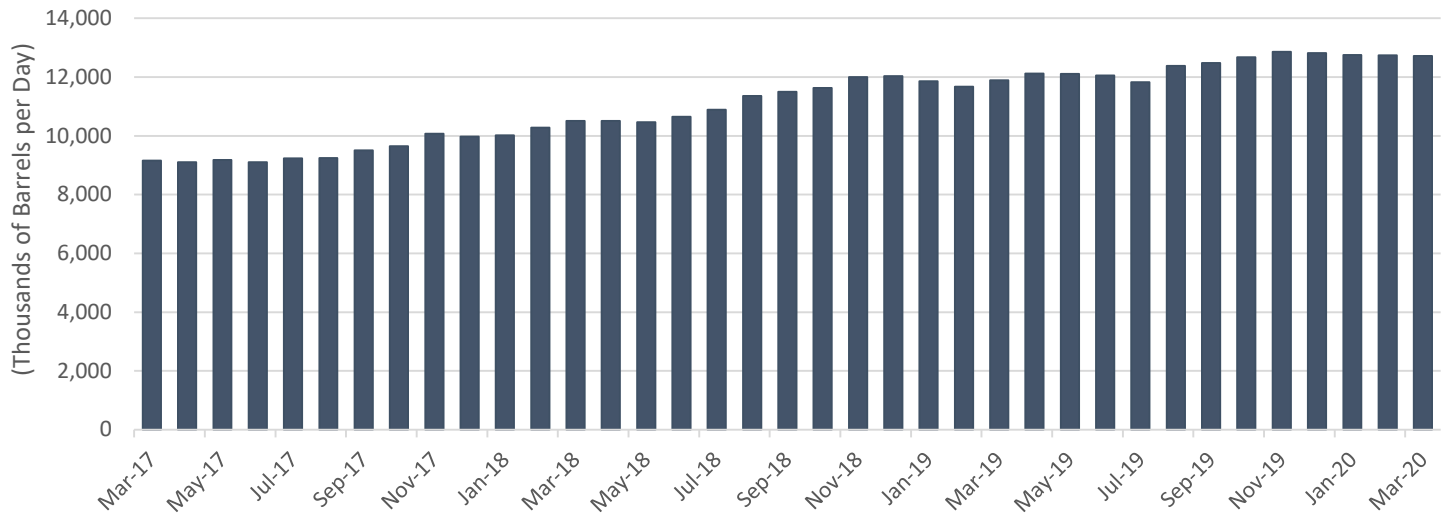
### ➤ Natural Gas \$/MBtu





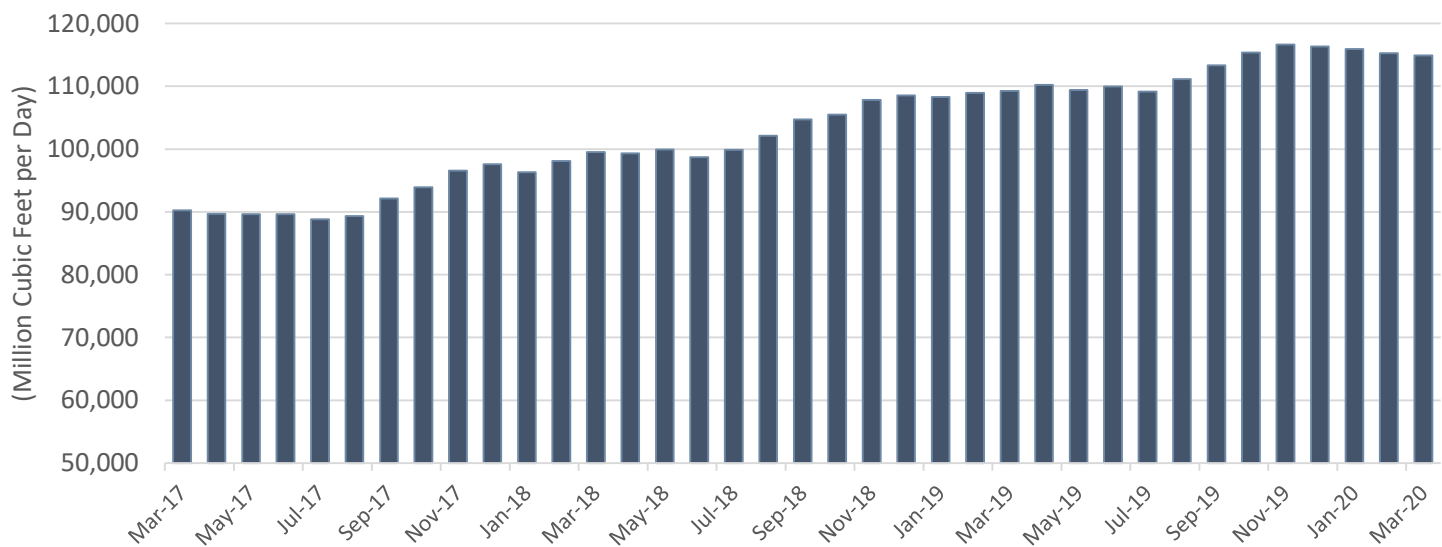
## Production Data

### ➤ U.S Crude Oil Production



Crude Oil	Thousands of Barrels per Day			Change From	
	Mar-20	Prior Month	Prior Year	Prior Month	Prior Year
	12,716	12,744	11,892	-0.2%	6.9%

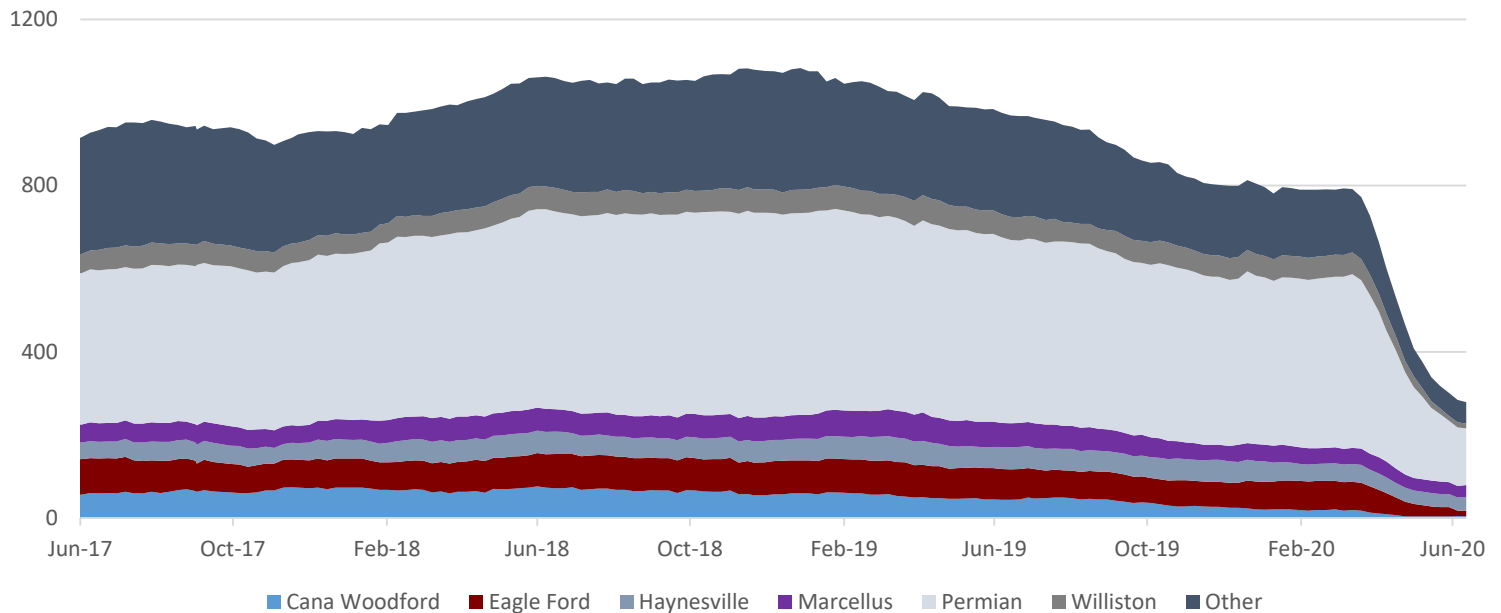
### ➤ U.S Natural Gas Production



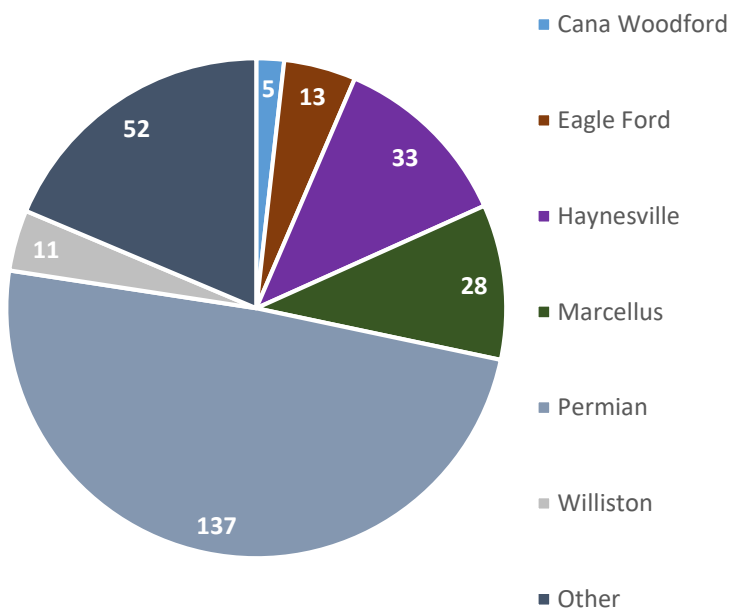
Natural Gas	Million Cubic Feet per Day			Change From	
	Mar-20	Prior Month	Prior Year	Prior Month	Prior Year
	114,910	115,262	109,262	-0.3%	5.2%

## Rig Counts by Basin

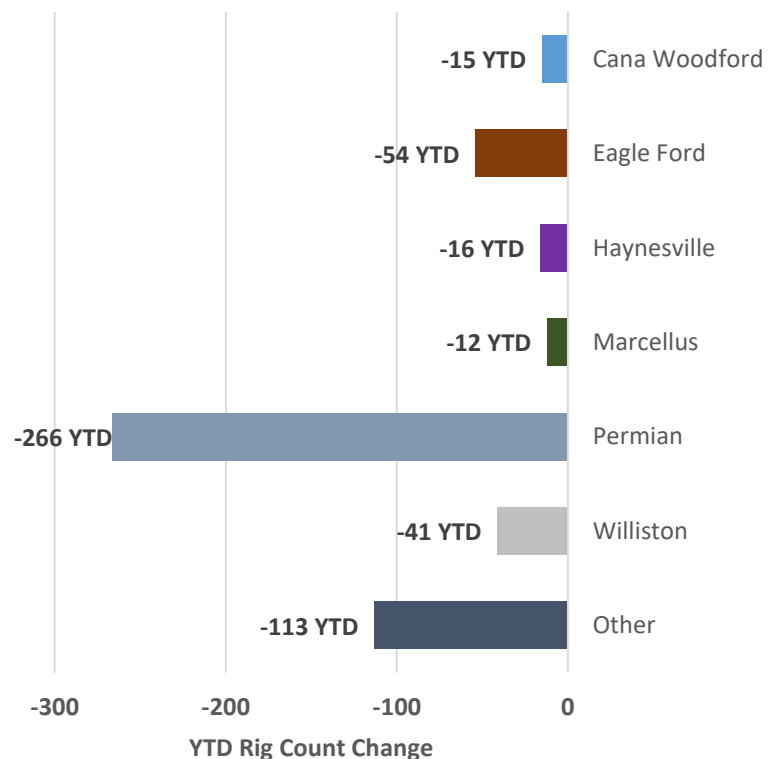
### ➤ U.S Rig Count by Basin Analysis



### U.S Rig Count by Basin - 6/12/20

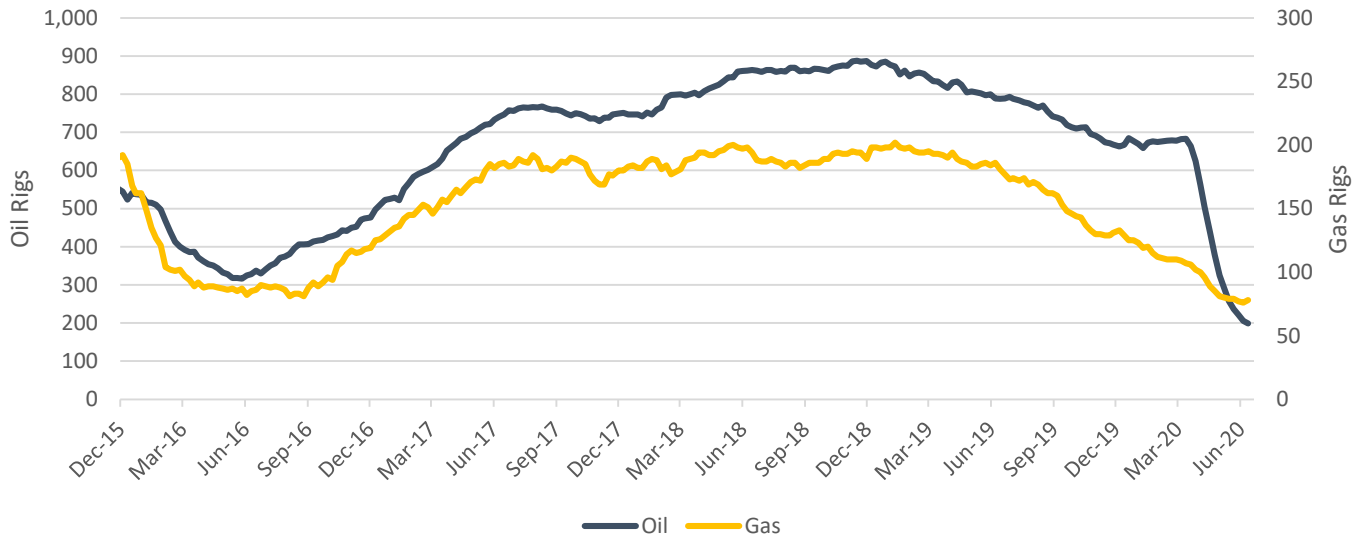


### U.S Rig Count by Basin: YTD Change



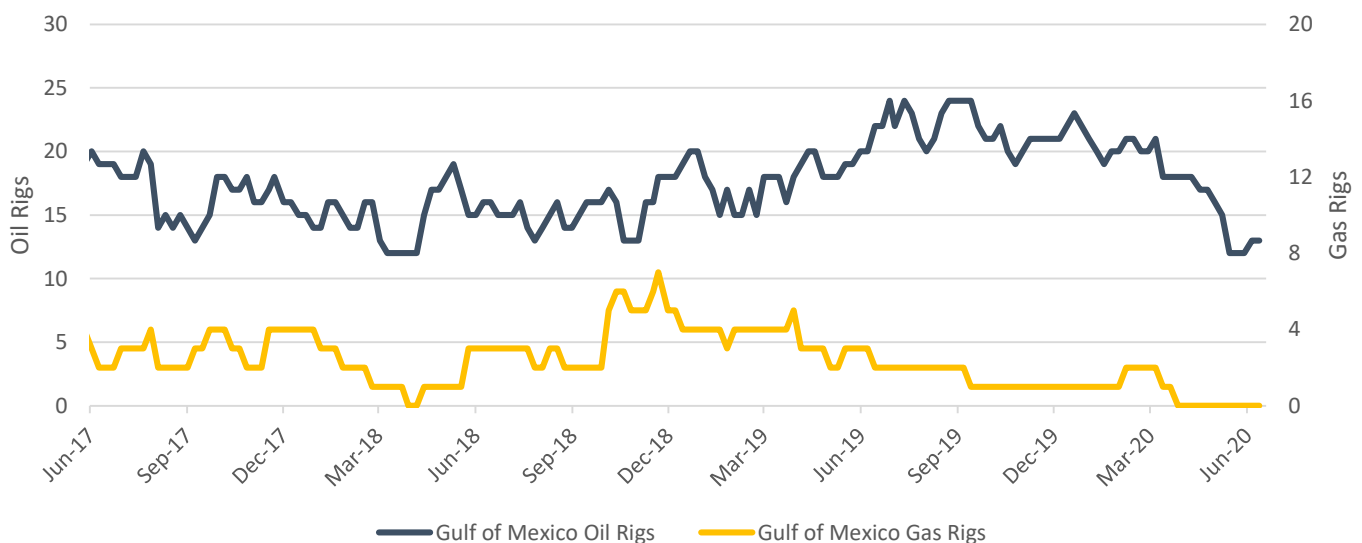
## Rig Counts (continued)

### ➤ U.S. Oil vs. Natural Gas Rig Count



	Current	Rig Counts		Change from	
		Prior Month	Prior Year	Prior Month	Prior Year
Oil	199	292	788	(31.8%)	(74.7%)
Natural Gas	78	80	181	(2.5%)	(56.9%)

### ➤ Gulf of Mexico: Oil Rig vs. Natural Gas Rig



	Current	Rig Counts		Change from	
		Prior Month	Prior Year	Prior Month	Prior Year
Oil	13	15	22	(13.3%)	(40.9%)
Natural Gas	0	0	2	0%	(100.0%)



## About Founders Advisors

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